



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

Ref: 12/1/5/3/4/6

Enq: L S Mahaye

To: Acting Municipal Manager

LIM345 Local Municipality

Private Bag X9271

MALAMULELE

0982

CC: Acting Chief Financial Officer

Subject: Assessment of the 2016/17 Annual Budget tabled in terms of Section 16(2) of the Municipal Finance Management Act (MFMA)

Please note that after the assessment of your Tabled 2016/17 Budget, Provincial Treasury has noted that your budget is unfunded. This is due to poor population of Tables A7 and A8 which are used to assess the funding position of the budget.

Kindly refer to Provincial Treasury assessment and concerns on your Tabled 2016/17 Budget forwarded to your municipality which should be addressed. Should the municipal Council approve the 2016/17 Budget in its current form, the budget will not be sustainable and the Provincial Treasury does not support the budget in its current form.

Furthermore, should your municipality approve the budget in its current form, I will have no alternative but to advise the National Treasury accordingly, which will consider stopping of the Equitable Share Transfer to your municipality in terms of Section 38 of MFMA, which states that, "National Treasury may stop the

transfer of funds due to a municipality as its share of the local government's equitable share referred to in Section 214(1)(a) of the Constitution, but only if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(1) of the Constitution."

You are therefore, strongly urged to ensure that the municipality reassess the budget, fully populate all the tables including Tables A7 and A8. The municipality must re-calculate the Cash flow position to ensure that the 2016/17 budget to be tabled to Council for approval in terms of Section 24(1) of the MFMA is funded. Please note that Provincial Treasury will not accept unfunded budget.

Yours in public finance management


G PRATT (CA) SA
HEAD OF DEPARTMENT

24/10/2016
DATE



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

LIM345 LOCAL MUNICIPALITY

2016/17 FINANCIAL YEAR ADOPTED MTREF BUDGET ASSESSMENT REPORT

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1. Executive Summary

In terms of the requirements of the Municipal Finance Management Act and as part of its oversight role over local government finances, the Provincial Treasury is responsible for reviewing and commenting on the tabled budgets of all delegated municipalities prior to their adoption by the respective municipal councils. The tabled budgets of these municipalities were rigorously assessed in terms of quality and compliance with the prescriptions of the MFMA and the Municipal Budget and Reporting Regulations.

2. Brief description of analyses process (techniques)

The analyses cover areas such as, amongst others:

- Compliance with legislative framework and the Regulations;
- Comparison of actual financial performance against budget (for both capital and operating budgets);
- Cash position of the municipality and its ability to fund budgeted expenditure;
- Medium Term Revenue and Expenditure Framework (MTREF) appropriations and their credibility, affordability and sustainability;
- Contribution of the budget to national and provincial government priorities;
- Responsive of the budget to the Integrated Development Plan (IDP);
- Proposed investments in infrastructure and impact on Local Economic Development and job creation;
- The rates and tariffs proposed; and
- Support of the budget to indigent households;

3. Linkage of the Strategic Risks to the IDP and MTREF Budget

3.1 Linkage with the NDP

Provincial Treasury could not compare the NDP to the priority of the municipality with the supporting Table SA36, due to insufficient information provided in the IDP and non-submission of budget supporting documents to Provincial Treasury. The municipality is advised to align their budget with NDP priorities during the 2016/17 Adjustments budget.

3.2 Linkage with Integrated Development Plan

Provincial Treasury could not determine the costing of objectives/ projects due to insufficient information provided in the 2016/17 IDP. Furthermore Provincial Treasury could not check reasonableness of information completed in Table SA36 for the detailed capital budget as the supporting Tables SA4; SA5; SA6 and SA7 were not completed.

The 'Total Operating Revenue', and 'Total operating expenditure' as per Tables A4 do not reconcile and are not aligned to the IDP strategic objectives in Tables SA4 and SA5, due to Tables SA4 and SA5 were not completed.

3.3 Linkage Spatial Planning and Land Use Management

Provincial Treasury could not provide input on Spatial Planning and Land Use Management, due to insufficient information provided in the 2016/17 IDP.

3.4 Linkage to strategic risks

Provincial Treasury could not assess the linkage of strategic risks with the 2016/17 budget. As per the municipality did not submit the strategic risk.

4. Procurement Plan

- The linkage between budget and the procurement plan is not verified due to non – submission of the procurement plan.

5. MFMA & MBRR Compliance

- Provincial Treasury has undertaken an assessment of the final budget that was adopted by the special council on the 31 August 2016 and submitted to the Provincial Treasury in both electronic and hard copy format on the 29 September 2016. The municipality's 2016/17 adopted budget has been prepared in the required format (i.e. 2.8 version) as stipulated in the Regulation 9 of the MBRR.

6. Draft comments consideration

Key Observations

- In the absence of essential budget related policies, it was not possible for Provincial Treasury to test the credibility of the budget.
- From previous engagements with the municipality, it was also noted that the municipality does not have sufficient skilled personnel in key areas to ensure and maintain financial management.
- A number of the budget tables were not completed and this has limited Provincial Treasury from providing a comprehensive analysis on the budget which could have material implications for the municipality.
- The municipality has not completed the supporting budget tables relating to the reconciliation of the IDP strategic objectives and the budget or submitted the IDP document. It was not possible for Provincial Treasury to assess whether the 2016/17 MTREF budget is in line with the IDP objectives.
- The municipality has not completed Table A6 for the Budgeted financial position.
- The SDBIP for 2016/17 financial year was not submitted to Provincial Treasury. This should have been submitted together with the Draft Budget in terms of Regulation 15(3) of the MBRR.
- The municipality did not populate the Performance Measurable Objectives in Table SA7 and this need to be populated prior to the tabling of the final budget.

Revenue framework

LIM345 LIM345 - Table A4 Consolidated Budgeted Financial Performance (revenue)

Description	2012/13	2013/14	2014/15	Current Year 2015/16			Pre-audit outcome	2016/17 Medium Term Revenue framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Revenue By Source										
Property rates	-	-	-	-	-	-	-	18 000	19 188	20 454
Property rates - penalties & collection charges								1 500	1 599	1 704
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	2 850	3 038	3 239
Service charges - other										
Rental of facilities and equipment								2 250	2 398	2 556
Interest earned - external investments								300	350	400
Interest earned - outstanding debtors								900	960	980
Dividends received										
Fines								4 000	4 264	4 545
Licences and permits								3 500	3 731	3 977
Agency services										
Transfers recognised - operational								226 232	315 737	334 692
Other revenue	-	-	-	-	-	-	-	7 635	8 139	8 676
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	-	-	-	-	-	-	-	267 167	359 404	381 223

- Revenue anticipated from Property rates (Including penalties and collection charges), is projected at R19.5 million in the 2016/17 budget. No Property rates related assumptions have been provided by the municipality to explain the budgeted amount. Provincial Treasury noted that there is no information relating to the number of ratable properties as per supporting budget Table SA11, which has not been completed. Furthermore, Property rates revenue foregone was not disclosed as per approved exemptions for rebates and reductions in Table SA1. The municipality did not complete Table A10 on service delivery and no explanation for the amount budgeted in the 2016/17 budget.
- An amount of R300 thousand for Interest earned-external investments is reflected in Table A4, but no investments are reflected in Table A6 for the 2016/17 budget. This appears to be inconsistent and the municipality should revise the budget to reflect investments.
- The gross outstanding debtors figures have not been recorded in Table A6 and the municipality has Interest earned-outstanding debtors budget of R900 thousand for

2016/17 budget and the reasonability of the interest was not verified by Provincial Treasury.

- Bulk of the budgeted revenue consists of Transfers recognized (84.7 percent) which confirms that this municipality is grant dependent.

Expenditure Framework

LIM345 LIM345 - Table A4 Consolidated Budgeted Financial Performance (expenditure)

Description	2012/13	2013/14	2014/15	Current Year 2015/16			Pre-audit outcome	2016/17 Medium Term Revenue framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast		Budget Year	Budget Year +1	Budget Year +2
								2016/17	2017/18	2018/19
R thousand										
Expenditure By Type										
Employee related costs	-	-	-	-	-	-	-	109 091	116 291	123 967
Remuneration of councillors								31 049	33 098	35 283
Debt impairment								12 437	13 257	14 132
Depreciation & asset impairment	-	-	-	-	-	-	-	23 000	24 518	26 136
Finance charges								396	422	450
Bulk purchases	-	-	-	-	-	-	-	-	-	-
Other materials								4 731	5 043	5 376
Contracted services	-	-	-	-	-	-	-	23 000	24 518	26 136
Transfers and grants	-	-	-	-	-	-	-	8 000	-	-
Other expenditure	-	-	-	-	-	-	-	41 260	42 384	45 181
Loss on disposal of PPE										
Total Expenditure	-	-	-	-	-	-	-	252 964	259 532	276 661

- The municipal regulation on the Standard Chart of Accounts (mSCOA) is the biggest reform to be implemented in local government since the introduction of the MFMA. Municipalities therefore need to plan extensively for this reform and determine the necessary level of budgeting required for any hardware, software as well as any training requirements. MFMA Circular No.72 encouraged municipalities to prioritise the preparation for implementing as a focus area for the 2016/17 budgeting period to ensure that sufficient resources are available for this critical project. National Treasury has indicated that funding can be used from the Local Government Financial Management Grant (FMG) where R2 million has been allocated, and the 2016/17 budget documents did not reflect any detailed expenditure plans to implement this project, which is notable concern since only ten months before the municipality has to have implemented all the requirements of mSCOA.

- The municipality has budgeted for Employee related costs to R109.1 million in the 2016/17 budget. Provincial Treasury could not determine the reasonableness of amount budgeted, since the supporting Table SA24 is incomplete. The budget narrative report was not submitted to justified amount budgeted for in 2016/17 FY. The municipality has not indicated the nature of its positions, considering that the municipality has been affected by the redetermination of boundaries effected by August 2016.
- Provincial Treasury is unable to assess whether sufficient provision for Depreciation has been made in relation to total asset value, which has not been reflected in Table A9.
- The municipality has budgeted R396 thousand for Finance charges in the 2016/17 budget. However, no Borrowings have been reflected in Tables A6 and SA17. The budget for Finance charges may be overstated.
- Provincial Treasury has noted Contracted services of R10 million relates to the Security Services, the municipality did not submit budget narrative report to justify the amount in Table SA1.

Capital expenditure

LIM345 LIM345 - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	4 960	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office		-	-	-	-	-	-	-	10 000	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	2 310	-	-
Vote 5 - Technical Services		-	-	-	-	-	-	-	75 200	-	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	3 700	-	-
Vote 7 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	103 670	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		-	-	-	-	-	-	-	103 670	-	-
Capital Expenditure - Standard											
Governance and administration		-	-	-	-	-	-	-	18 660	19 892	21 204
Executive and council		-	-	-	-	-	-	-	4 960	5 287	5 636
Budget and treasury office		-	-	-	-	-	-	-	10 000	10 660	11 364
Corporate services		-	-	-	-	-	-	-	3 700	3 944	4 205
Community and public safety		-	-	-	-	-	-	-	2 310	2 462	2 625
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	2 310	2 462	2 625
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	-	82 700	88 158	93 977
Planning and development		-	-	-	-	-	-	-	7 500	7 995	8 523
Road transport		-	-	-	-	-	-	-	75 200	80 163	85 454
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	3 700	3 944	4 205
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	3 700	3 944	4 205
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	-	-	-	-	-	-	-	107 370	114 456	122 011
Funded by:											
National Government		-	-	-	-	-	-	-	93 137	90 870	88 920
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	-	-	-	-	93 137	90 870	88 920
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	14 233	15 172	16 174
Total Capital Funding	7	-	-	-	-	-	-	-	107 370	106 042	105 094

- Total capital expenditure of R107.4 million as per Table A5 for 2016/17 does not reconcile with the total capital expenditure budget as per Tables A9 (Nil) and SA36 (R84.4 million). Various columns in Table SA36 have also not been populated, such as the project description, project number, IDP goal code, GPS co-ordinates and all other relevant project information (i.e ward location).

New assets and renewal of assets

- The municipality did not budget for Renewal of existing assets. This is not in line with MFMA Circular 66, which states that at least 40 percent of the capital budget must be allocated to Renewal of existing assets.
- The municipality is advised to provide a detailed explanation and assurance that adequate provision would be made for Renewal of existing assets to secure the ongoing health of the municipality's infrastructure and also aligned to its asset management plan.

Acceptability of cash/ cash equivalent position

LIM345 LIM345 - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges									7 800	8 315	8 864
Service charges									1 140	1 215	1 295
Other revenue									55 163	58 804	62 685
Government - operating	1								226 232	241 163	257 080
Government - capital	1								93 137	90 870	88 920
Interest									750	800	852
Dividends									-	-	-
Payments											
Suppliers and employees									(209 131)	(222 934)	(237 647)
Finance charges									(396)	(422)	(450)
Transfers and Grants	1								(8 000)	(8 528)	(9 091)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	166 695	169 283	172 508
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets									-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	166 695	169 283	172 508
Cash/cash equivalents at the year begin:	2								-	166 695	335 977
Cash/cash equivalents at the year end:	2								166 695	335 977	508 485

- The opening balance for Cash and cash equivalents for 2016/17 was not populated in Table A7, therefore it seems the cash flow is not credible. The bank balances of

Makhado and Thulamela municipalities should be allocated proportionately to the LIM345. The municipality is advised to correctly populate the cash flow during the 2016/17 Adjustments budget.

- In addition, the closing balance for 2016/17 on the Cash/ cash equivalents of R166.7 million as reflected in Table A7 will not be compared with the budgeted Cash and Call investments deposits as the municipality did not complete Table A6.
- Tables A7 and A8 were poorly populated, as a result Provincial Treasury cannot assess the Cash coverage ratios, as the ratios reflected in Table SA10 are based on incorrect closing cash balances. The municipality is advised to correctly populate the cash flow during the Adjustment budget.

Cash from Operating Activities

- In Table A7, the municipality applied a collection rate of 43.3 percent for the Rate payers and others, while Table SA10 reflected a collection rate of 157.8 percent. Therefore, the receipts from Ratepayer and others are understated in Table A7. The municipality should maintain a prudent approach when budgeting for receipts. Furthermore, no budget narrative report submitted to justify the collection rate.

Cash flows from investing activities

- The municipality did not anticipate any spending on Capital assets in Table A7 for the 2016/17 budget, but Table A5 reflected R107.4 million which is allocated for Capital expenditure in the 2016/17 budget.
- The movements in Non-current debtors were not reflected in Table A7. The municipality should have information from Makhado and Thulamela municipalities relating to Non-current debtors. Furthermore, accuracy could not be established to analyse Consumer debtors since Tables A6 and SA3 were not populated, therefore Provincial Treasury is unable to provide a meaningful comment. The municipality is advised to correctly populate the above schedules during the 2016/17 Adjustments budget.

Cash backed reserves/Accumulated surplus

LIM345 LIM345 - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	-	-	-	-	166 695	335 977	508 485
Other current investments > 90 days		-	-	-	-	-	-	-	(166 695)	(335 977)	(508 485)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	-	-	-	-	-	-	-	-	-
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	-	-	-	-	-	-	-
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	-	-	-	-	-	-	-	-	-
Surplus(shortfall)		-	-	-	-	-	-	-	-	-	-

- The municipality did not consider the inclusion of Statutory requirements, Other Provisions, Unspent conditional transfers and Reserves to be cash backed by cash/ investments in Table A8, for items such as leave pay provision, provision for landfill site, provision for performance bonus and annual bonus.
- In light of the inconsistencies identified above, Provincial Treasury was unable to determine the true funding position of the municipality. Therefore, the municipality should appropriately repopulate the relevant budget tables, recalculate the cash flow position and ensure that the final approved budget is funded.

7. Credibility (Funding), Relevance and sustainability of the final budget

This section aims to assess the credibility (funding), Relevance and sustainability of the adopted budget. Reference is made to your approved budget for the 2016/17 financial year that was submitted to Provincial Treasury in accordance with Section 24(3) of the Municipal Finance Management Act (MFMA), which states that the accounting officer of a municipality must submit the approved annual budget to the National Treasury and relevant Provincial Treasury.

Provincial Treasury has conducted a high level assessment of your approved budget with a view of assessing whether the municipality has considered the comments and recommendations provided by Provincial Treasury on your budget, as required by Section 23(1)(b) of the MFMA. Section 23(1)(b) states that the municipal Council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

Credibility

There were discrepancies noted in the Statement of Financial performance in Table A4, Statement of financial position was not populated in Table A6 and Tables A7 and A8 were partially completed. Furthermore, majority of supporting tables were not completed and the supporting documents were not provided to support figures in Schedule A.

Provincial Treasury's assessment was limited to a large extent due to the budget assumptions, 'basis of calculation' being unclear and in many instances questionable. While Provincial Treasury highlighted some of the discrepancies and inconsistencies, the onus is on the municipality to revise the 2016/17 budget during the adjustment budget process.

Relevance

The municipality did not submit their 2016/17 SDBIP. The 'Total Operating Revenue' as per Table A4 (R267.2 million) does not reconcile and is not aligned to the IDP strategic objectives in Table SA4 (Nil). In addition, the 'Total Capital Funding' in Table A5 (R107.4 million) does not reconcile to the reconciliation of IDP strategic objectives in Table SA6 (Nil). Furthermore, the municipality did not populate the Basic service delivery measurement in Table A10. MFMA Circular No. 58 requires municipalities to account on service levels for all the households within the municipal area, including services that are not provided by the municipality. It should be

noted that the total households for each service must be the same as the total number of households in the municipality.

Sustainability

Revenue and expenditure management is fundamental to the sustainability of the municipality. The municipality has budgeted for an operating surplus over the MTREF. The municipality's operating budget continues to be mainly funded from grants by 84.7 percent.

The municipality is encouraged to investigate other sources of revenue in order to decrease their grant dependency and at the same time ensure that their current revenue stream is adequately managed.

8. Conclusion


The municipality did not comply with the requirements of MBRR. The municipality should address the inconsistencies that are indicated in the 2016/17 final budget. The municipality's 2016/17 final budget is unfunded. Based on questionable figures and inconsistencies noted from the Statement of Financial Performance, Statement of Financial Position and the Cash Flow Statement, Provincial Treasury does not support the budget in its current form.

9. Recommendations

The municipality is advised to manage the associated risks of implementing the budget, and ensure that spending is limited to what can be realistically collected revenue, as required by Section 18 of the MFMA.

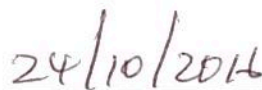
In terms of MFMA Circular No. 67, the municipalities are reminded to upload all their 2016/17 related annual budget returns at National Treasury's local government database before the end of July 2016. As National Treasury publishes the municipal budgets based on the information from annual budget returns, the municipality is therefore, required to ensure that the figures reflected in the annual budget returns correspond with the figures as per the approved budget (Schedule A1 Version 2.8) and are submitted as soon as when the budget is approved by Council.

Prepared by:



Mahaye L S

Deputy Director: Financial Planning and Budget



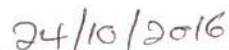
Date

Reviewed by:



Mbungela N N

Director: Accounting and Reporting



Date